EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/Pers				
14	D/OLL				
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	NIO/ECON		✓		
20					
21					
22					

SUSPENSE ____________________
Date

Remarks

[redacted] STAT

Executive Secretary

7/18/84
Date

3637 (10-81)

CABINET AFFAIRS STAFFING MEMORANDUM

Executive Registry
84-4037

Date: 7/17/84 **Number:** 169035CA **Due By:** --------------

Subject: Cabinet Council on Economic Affairs - June 26 Trade Policy Presentation

	Action	FYI
ALL CABINET MEMBERS	☐	☑
Vice President	☐	☐
State	☐	☐
Treasury	☐	☐
Defense	☐	☐
Attorney General	☐	☐
Interior	☐	☐
Agriculture	☐	☐
Commerce	☐	☐
Labor	☐	☐
HHS	☐	☐
HUD	☐	☐
Transportation	☐	☐
Energy	☐	☐
Education	☐	☐
Counsellor	☐	☐
OMB	☐	☐
CIA	☐	☐
UN	☐	☐
USTR	☐	☐
GSA	☐	☐
EPA	☐	☐
NASA	☐	☐
OPM	☐	☐
VA	☐	☐
SBA	☐	☐

	Action	FYI
CEA	☐	☑
CEQ	☐	☐
OSTP	☐	☐
Baker	☐	☑
Deaver	☐	☑
Darman *(For WH Staffing)*	☑	☐
Mc Farlane	☐	☑
Svahn	☑	☐
Chapman	☐	☑
Executive Secretary for:		
CCCT	☐	☐
CCEA	☐	☑
CCFA	☐	☐
CCHR	☐	☐
CCLP	☐	☐
CCMA	☐	☐
CCNRE	☐	☐

REMARKS: Attached for your information is a summary of the Trade Policy Overview presented in the June 26, 1984 Cabinet Council on Economic Affairs.

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823 (White House)

☐ Don Clarey
☑ Tom Gibson
☐ Larry Herbolsheimer

Associate Director
Office of Cabinet Affairs
456-2800 (Room 129, OEOB)

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THE WHITE HOUSE

WASHINGTON

July 10, 1984

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER RBP

SUBJECT: Trade Policy Overview

At the Cabinet Council's June 26 meeting, Deputy U.S. Trade Representative Lighthizer summarized our trade policy over the last three years as part of his presentation on the economic implications of international trade. As requested, he has provided a brief outline of his presentation. A copy is attached.

I trust you will find this summary useful during the coming weeks and months.

Attachment

DEPUTY UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506
202-395-5114

July 3, 1984

MEMORANDUM

TO: CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: Robert E. Lighthizer REL

SUBJECT: June 26 Trade Policy Presentation

The Executive Secretary has asked me to provide you with a summary of the trade policy presentation I made to the Cabinet Council on June 26. The summary outlined below was prepared from my notes.

SUMMARY

Introductory Comments

The trade and current account balances have deteriorated throughout the last three years.

-- In 1981, the trade deficit was $28.1 billion, compared to $59.6 billion in 1983 (balance of payments basis).

-- In 1981, the current account was $4.6 billion in surplus, compared to $40.8 billion in deficit last year (balance of payments basis).

For 1984, BEA projects a $110 billion trade deficit and a $90.3 billion current account deficit. As indicated in the following table, sizeable trade and current account deficits are expected through 1987:

U.S. Merchandise Trade and Current Account Balances 1984-1987
($ billions, balance of payments basis)

	Merchandise Trade	Current Account
1984	-110.0	-90.3
1985	-133.0	-114.0
1986	-125.0	-86.0
1987	-121.0	-55.0

The working group has concluded that the major causes of these deficits are:

(1) the strong dollar;
(2) the faster rate of growth here than abroad; and
(3) the LDC debt problem.

Although trade barriers have contributed to the deficit, their impact was not considered as significant as any one of the other three factors. Hence, a solution including trade-specific measures alone will not solve the problem, although it could contribute to some improvement at the margin.

In light of the working group's conclusions, the objectives of my presentation are to describe the framework for the Administration's trade policy and to highlight the serious problems remaining despite the success of our trade policy.

Description of the Administration's Trade Policy

The Administration's trade policy has four fundamental elements:

(1) to promote exports;

(2) to aggressively oppose foreign unfair trade practices;

(3) to strengthen the open trading system within the multilateral framework; and

(4) to promote adjustment.

Numerous initiatives have been taken to achieve each one of these elements.

(1) To Promote Exports

-- Maintained Exim Bank's direct credit and guarantee authority at about $13.5 billion annually for FY 81 through FY 84.

-- Expanded CCC credit guarantee authority from $2.2 billion in FY 81 to $3.9 billion in FY 84.

-- Initiated the blended credit program which has resulted in $1.6 billion in additional agricultural export sales.

-- Reduced foreign trade barriers, principally with Japan with five liberalization packages.

-- Lobbied the EC heavily to protect U.S. agricultural markets in Europe, particularly the nongrain feed ingredient and oilseed markets.

-- Removed U.S. export disincentives:

- o liberalized taxation of U.S. citizens abroad
- o passed the Export Trading Companies Act
- o passed the Foreign Sales Corporation Act
- o suspended the grain embargo
- o worked for improvements in the Export Administration Act
- o promoted passage of the Foreign Corrupt Practices Act which passed the Senate twice.

-- Concluded the negotiation of the US/USSR Long-Term Grains Agreement.

-- Initiated the negotiation of 18 bilateral investment treaties (concluded five) which will expand U.S. exports as nearly 40 percent of U.S. exports are currently made through foreign subsidiaries of U.S. companies.

(2) To Aggressively Oppose Foreign Unfair Trade Practices

-- Reagan Administration has been more aggressive than any previous Administration in administering CVD and AD laws:

- o initiated 119 CVD investigations, imposed 45 orders, and have 39 pending
- o initiated 133 AD investigations, imposed 42 orders, and have 12 pending.

-- Negotiated the US/EC Arrangement on Carbon Steel as a mechanism for disciplining EC dumping and subsidies in our market.

-- Initiated 24 GATT cases (resolved three) with the objective of eliminating the GATT illegal practices of other countries.

-- Accepted 24 Section 301 cases (resolved 13, but none in GATT).

-- Used subsidies in the agricultural sector tactically to offset EC subsidies in the Middle East:

- o subsidized sale of 1 million tons of wheat flour to Egypt
- o subsidized sale of 18,000 tons of butter and 10,000 tons of cheese to Egypt.

-- Used Exim credits more aggressively to offset subsidies of other countries, particularly mixed credits.

-- Initiated Committee on Trade in Agriculture talks to establish agricultural disciplines in the GATT.

(3) <u>To Strengthen Open Trading System within the Multilateral Framework</u>

-- Opposed protectionist legislation:

- o auto local content bill
- o steel quota bill
- o wine equity bill.

-- Rejected unfounded petitions:

- o Houdaille
- o steel 301 petition
- o CVD and AD petitions.

-- Initiated quadrilateral mechanism:

- o agreed in the Quad on accelerated Tokyo Round tariff cuts
- o agreed to pursue new round.

-- Pressing for renewal of GSP authority.

-- Seeking legal authority to negotiate Israeli and Canadian Free Trade Areas.

-- Passed Caribbean Basin Initiative.

(4) <u>To Promote Adjustment</u>

-- Established noninflationary economic growth pattern.

-- Took five actions under Section 201 of the Trade Act:

- o motorcycles
- o stainless steel
- o clothespins
- o porcelain-on-steel cookware
- o high carbon ferrochromium.

-- Negotiated automobile VRA with Japan.

-- Tightened the administration of the textile program.

Remaining Problems

Clearly, the Administration has a sound and balanced trade policy designed to promote exports and to maintain a relatively open U.S. market. In cases where we have taken trade actions, those actions have been justified to offset foreign unfair trade practices or to provide temporary relief for industries as they adjust to import competition. Moreover, the actions that we have taken have been transparent, are for the most part temporary, and are consistent with our international obligations. Nevertheless, the following problems remain unresolved:

(1) historically high trade deficits;

(2) the impression among constituents that the U.S. market is more open to imports than other countries' markets;

(3) the sense that the GATT system isn't working because none of the cases that we won in the GATT dispute settlement process resulted in a change in another country's practices;

(4) the view that Japan really has not opened its market dramatically despite its five packages; and

(5) a feeling that targetting and industrial policies of other countries have put us at a competitive disadvantage.

The presentation concluded with a general discussion of the effectiveness of the Administration's trade policy in dealing with the deficits.